DAIDO

Stock Code 股份代號：00544

DAIDO GROUP LIMITED
大同集團有限公司

2011
Annual Report
年報

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-Executive Director

Mr. Fung Wa Ko

Independent Non-Executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Chief Executive Officer's Statement

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2011.

The year 2011 saw great challenges in the global economic arena as Europe's sovereign debt crisis triggered financial turmoil in the region, which rippled through the world. The sluggish growth in industrialized economies including the U.S., Europe and Japan dragged down global consumption, taking a toll on all consumption-related businesses including those of the Group.

However, despite the economic headwinds, the Group's business, the cold storage and related operation, remained stable, thanks to the Management's flexible operational strategy and the quality services provided by the Group. This operational flexibility has been demonstrated by the Management in its move to convert some non-freezer compartments into freezer compartments to take advantage of the higher profit margins for freezer compartments in 2009, and in its move to convert some chillers into bonded warehouse facility in response to changes in market demand in 2011. The Management will continue with this strategy of maintaining operational flexibility in the future.

For the longer term, the Group will continue with its business model/strategy of focusing on consumption-related businesses, which are among the sectors that benefit most from the strong economic expansion in both Mainland China and Hong Kong.

In line with this business strategy, the Group will further improve its cold storage operational efficiency to better serve our customers. Simultaneously, the Group will further develop its KTV operation in Mainland China.

While the KTV operation, which is still in its investment stage, has yet to contribute positively to the Group's earnings, the Management believes that there is huge market potential for this new business, given the robust economic growth in Mainland China. The Management plans to make further investment in this business and look for more good locations to set up KTV outlets.

Although the performance of the Group's investment in the hotel resort complex operation is still behind the Group's expectation, with the supports by the booming inbound tourism in Macau, the Management believes the performance will continue to improve. In long term, we are optimistic to the potential in appreciation in property value of the Group's investments.

The Management will continue to explore new business opportunities while prudently growing the Group's existing businesses, with the ultimate aim of creating value for shareholders.

On behalf of the Board of Directors/Management, I would like to express my heartfelt gratitude to all of our clients and shareholders for their continued support. I would also like to thank our staff for their dedication and contribution.

AU TAT WAI
Chief Executive Officer

Hong Kong,
28th March, 2012

Management Discussion and Analysis

OVERALL RESULTS

For the financial year ended 31st December, 2011, total revenue of the Group amounted to approximately HK$173 million, down approximately 2.8% when compared to approximately HK$178 million in the previous financial year.

Net loss attributable to owners of the Company was approximately HK$82 million, compared with a net profit of approximately HK$2 million in the previous year. The reverse to a net loss was mainly attributable to (i) the substantial expenses incurred for the setting up of the Group's KTV business in Mainland China; (ii) the impairment loss on the available-for-sales investments; and (iii) the increase in the Group's general operating costs amid an inflationary environment. Loss per share was HK6.48 cents.

The Group is principally engaged in the operations of cold storage and related services, investment holdings, as well as the operation of karaoke outlets and related services in Mainland China.

BUSINESS REVIEW

Cold storage and related services

During the financial year of 2011, the Group's business, the cold storage and related services operation, maintained a stable performance as flexible and sound operational strategies helped offset the unfavourable external factors.

The global economy saw a great deal of challenge in the year of 2011, particularly in the latter part of the year, as Europe's sovereign debt crisis rippled through the world, causing financial instability in the global markets. Meanwhile, the economic growth in industrialized countries such as the U.S., Europe and Japan slowed down significantly during the year. As a result of the global economic headwinds, Hong Kong's economic activities eased towards the end of the year, with the external trade sector bearing the brunt of the negative impact.

The gross domestic product ("GDP") growth of Hong Kong eased to 3.0% in the fourth quarter of 2011 from 4.3% in the third quarter, 5.3% in the second quarter and 7.6% in the first quarter of the same year; while full-year growth slowed significantly to 5.0% from the 7.0% growth in 2010, according to data from the Census and Statistics Department (C&SD).

Along with the slowdown in economic expansion, the growth in the annual value of imports of Hong Kong, a key transshipment hub for Mainland China, eased during the year, with the growth rate declining by more than a half to approximately 11.9% in 2011 from the approximately 25% in 2010, according to the data from the C&SD.

Despite the slowdown in import growth curbed importers and traders' demand for cold storage services, affecting the Group's cold storage business to a certain extent, with thanks to the high turnover ratios led by increased inventory of some of our clients during the year, benefiting the Group's cold storage operation.

In response to changes in market demand, the Group converted some of its chillers into bonded warehouse facility during the year, which are used to store cigarettes, liquor and other dutiable goods. This strategic move will continue if demand for bonded warehouse space expands in the future.

The management strategy of maintaining operational flexibility, plus quality services in terms of effective temperature & humidity controls, an efficient computerized data processing system and strong logistics support, has helped the Group maintain a stable occupancy rate for its cold storage facility, and capture a significant market share among the local cold storage market.

The performance of the Group's logistics services business also remained stable during the year. The logistics services operation mainly serves our cold storage customers, who accounted for over 80% of the clientele. This added value service helped the Group retains its cold storage customers and boost the overall profit margins of this business segment.

The Group produces edible ice cubes for consumption purpose and industrial ice bars for construction use.

The ice cubes business remained stable during the year as the Group secured steady demand by entering into a sole agency agreement with its distributor. The group has snatched up a significant market share in the local ice cubes market.

As mentioned in Annual Report 2010, new regulations on edible ice cubes entail additional investment for the Group to upgrade its facilities. With balancing the economic benefit of such potential investment as well as the cost of modification for the facilities, the Management decided to cease the edible ice cubes business in 2012.

The sales of industrial ice bars saw steady growth during the year as construction works were progressing in full speed in several large-scale public infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Kai Tak Cruise Terminal and the South Island Line (East).

Karaoke outlets and related services ("KTV")

The Group diversified its businesses into KTV operation in Mainland China by setting up joint ventures since 2010, with the aim of taking advantage of the growing expenditure in cultural consumption in Mainland China as household incomes and the general education level rise along with economic development.

All in all, the Group is setting up several KTV outlets in some cities in Mainland China. All of these KTV outlets will start commercial operation when all of the facilities and services are well prepared through test run.

This new business segment is still in its investment phrase and recorded an operating loss during the financial year of 2011.

Investments

For the Group's investments in Macau, the performance of the hotel resort complex operation is still behind the Group's expectation. Therefore, an impairment loss on available-for-sale investments of approximately HK$35 million was recognised, so that the carrying amount of the available-for-sale investments is reduced to its recoverable amount. However, the Management believes the performance will continue to improve, supported by a strong inbound tourism in the gambling enclave.

The occupancy rate of the Group's hotel improved during the year, rising to around 80%, supported by ever rising visitors, particularly from Mainland China.

The Group's hotel resort complex operation, which is located in the Taipa Island, benefited particularly from the opening of more mega entertainment complexes such as Galaxy Entertainment Group's Galaxy Macau, which helped attract more fun seekers to the area.

Visitor arrivals in Macau totaled approximately 28 million in 2011, increased by approximately 12.2% year-on-year as compared with the approximately 24.97 million in 2010, according to data from the Macau Government Tourism Office ("MGTO").

Visitors from Mainland China, who are one of the major client groups of our hotel, climbed up approximately 22.2% year-on-year to approximately 16.16 million in 2011 from approximately 13.23 million in 2010.

PLEDGE OF ASSETS

As at 31st December, 2011, banking facilities to the extent of HK$3.5 million (2010: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2010: HK$3.5 million). The amount utilised at 31st December, 2011 was approximately HK$3.2 million (2010: approximately HK$3.1 million).

As at 31st December, 2011, bank deposits of approximately HK$75 million (2010: approximately HK$65 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2011, the Group had cash and bank balances of approximately HK$90 million (2010: approximately HK$154 million). The decrease was mainly due to (i) the investment in KTV outlets and (ii) the convertible bonds issued in 2006 were fully redeemed upon maturity in the current year. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 12% as at 31st December, 2011 (2010: approximately 11%). The increase was mainly due to the recognition of operating lease liabilities for KTV outlets.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more KTV outlets operate in Mainland China. The directors will review the exchange rate risks faced by the Group periodically. During the year under review, the Group's capital expenditure was financed by internal cash generation and new shares issues.

SHARE CAPITAL STRUCTURE

As at 31st December, 2010, the total issued share capital of the Company was HK$9,996,000 divided into 999,600,000 ordinary shares with a par value of HK$0.01 each.

On 30th March, 2011, the Company entered into share placing and subscription arrangements for the placement and subscription of 199,920,000 shares at HK$0.235 each. The share placing and subscription arrangements were completed on 4th April, 2011 and 8th April, 2011 respectively. The net proceeds of approximately HK$46 million are used for general working capital.

For further details, please refer to the announcements of the Company dated 30th March, 2011 and 8th April, 2011.

As a result of the share placing and subscription arrangements, the total issued share capital of the Company was HK$11,995,200 divided into 1,199,520,000 ordinary shares with a par value of HK$0.01 each as at 30th June, 2011.

On 12th July, 2011, the Company entered into a share placing agreement for the placement of 239,900,000 new shares at HK$0.199 each. The share placing arrangement was completed on 21st July, 2011. The net proceeds of approximately HK$47 million are used for general working capital.

For further details, please refer to the announcements of the Company dated 12th July, 2011 and 21st July, 2011.

As a result of the share placing, the total issued share capital of the Company was HK$14,394,200 divided into 1,439,420,000 ordinary shares with a par value of HK$0.01 each as at 31st December, 2011.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2011, the total number of full time employees of the Group in Hong Kong and Mainland China were 267 and 342 respectively (31st December, 2010: 271 Hong Kong employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subside for employees' benefit.

PROSPECTS

The performance of the Group's businesses depends on the performance of both the global economy and the local economy. As the European Central Bank's move to inject ample liquidity into the financial market through its long term refinancing operations ("LTRO") and the agreement struck by European leaders for a second international bailout for Greece have reduced the risk of further deterioration in the region's debt crisis, the Management is cautiously optimistic to the global economic and also to the Group's operations in the new financial year.

Meanwhile, an increasing number of U.S. economic indicators are pointing to an improved outlook for the world's largest economy. The U.S. unemployment rate fell to 8.3% in January 2012, the lowest since February 2009, the U.S. Labour Department said on 3rd February, 2012. The Thomson Reuters/University of Michigan's final index of consumer sentiment increased to 75.3 in February 2012, the highest since February last year, from 75 in January 2012.

While external economic headwinds remain, the consumer confidence in Hong Kong remains relatively high amid a healthy labour market. This bodes well for the prospect for the Group's cold storage business. Demand for frozen food is likely to continue to growth steadily while supply of cold storage remains stable.

Hong Kong's consumer confidence dropped three points in the third quarter of 2011 to 104 points, according to the latest survey by Nielsen, a leading global provider of insights and analytics into what consumers watch and buy. At 104 points, the consumer confidence level was just 3 points below its 2.5-year high reached counting from the first quarter of 2009 to the third quarter of 2011. Meanwhile, Hong Kong's unemployment rate fell to 3.2% in the 3 months through January 2012, matching the 13-year low reached in the third quarter of 2011, according to data from the C&SD.

Although, the sales of edible ice cubes is expected to remain stable as food consumption normally stays stable while the steady growth in Hong Kong's population will boost food consumption in the longer term, the management decided to cease the operation due to the significant cost of modification of the existing facilities in compliance to the new regulation.

The outlook for industrial ice bars is also positive, considering the fact that construction works on a number of large-scale public infrastructure projects are either in full speed or will commence sooner or later. Construction works on these mega projects are expected to last several years. It is conceivable that the Hong Kong government will implement more mega infrastructure projects to help shore up the local economy in the wake of weaker external demand for Hong Kong exports.

The KTV operation is a new diversification for the Group. While this new business segment, which is still in the investment phase, has not yet contributed positively to the Group's earnings, the Management is optimistic about the prospect as it is conceivable that the level of cultural consumption and expenditure will increasingly rise on Mainland China along with the rise in people's incomes and educational levels, driven by the country's still robust economic expansion.

The gross domestic product ("GDP") of China grew 9.2% in 2011 over the previous year, despite the fact that the economic woes in industrialized countries and Europe's sovereign debt crisis curbed demand for Chinese goods, according to data from the National Bureau of Statistics of China ("NBS"). The Chinese economy is expected to remain healthy in 2012, with the GDP expanding about 7.5%, according to a report on China's economic and social development of The National People's Congress of the PRC.

Alongside of the strong economic expansion, total investment in China's culture, sports and entertainment sector climbed approximately 21.3% year-on-year to approximately RMB3.15 trillion in 2011, according to data of the NBS.

Management Discussion and Analysis

To take advantage of the huge market potential, the Management plans to devote more efforts to developing the KTV operation and make further investment in this business segment. The Group will look for more good locations for setting up more KTV outlets.

The Management is also optimistic about the outlook for the Group's investment in the hotel resort complex operation in Macau on the prospect that the inbound tourism in Macau, the city in China that allows casino gambling currently, will continue to flourish.

Furthermore, the Management believes that the rapid and continuous development of Taipa into a new hub of recreation and leisure is likely to attract more visitors to the area, benefiting nearby businesses including the Grand Waldo Hotel of the Group.

That said, the Management sees challenges ahead, particularly rising operating costs. In a highly inflationary environment, the labour cost is likely to continue to rise in the foreseeable future. Meanwhile, the price of crude oil keeps on rising, with the Brent crude price climbing above US$124 per barrel on 24th February, 2012, as tensions increases between the West and Iran over Tehran's nuclear programme. The Brent crude price has gained more than 11% in February 2012 since May 2011.

Meanwhile, costs on electricity, water and rent, as well as maintenance fees are also on the rise. All of these increased costs may put further pressure on the profit margins of the cold storage business as well as on other operations.

In the face of the challenges, the Management will strive to improve the operational efficiency of the Group's operations to control the cost increase.

The Management will also try to add more value to the Group's services to customers of its cold storage business in terms of technological innovation, and will shift its operational strategy in step with changes in market demand.

For the longer term, the Group will stay focused on its corporate strategy of exploring and developing consumption-related businesses to cash in on the strong economic growth in both Mainland China and Hong Kong. In line with this long-term strategy, the Management will explore new investment opportunities aside from strengthening the cold storage business and the fledging KTV operation.

Directors of the Company

MR. AU TAT WAI, aged 39, joined the Group as an executive director and the Chief Executive Officer of the Company in September 2009. He has also served as a director of certain subsidiaries of the Company and is responsible for all day-to-day corporate management matters. Mr. Au graduated from Lakehead University – Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology. He has over 8 years experience in information technology and e-commerce business and theme park and resort sectors project development.

MR. CHOY KAI SING, aged 48, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an executive director and an authorized representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

MR. CHUNG SIU WAH, aged 55, was appointed as an executive director of the Company in September 2011, and employed for advising the subsidiary of the Company's karaoke project at Mainland China since April 2011. Mr. Chung started his career in 1976 by joining the Hong Kong Government as a Customs Inspector. He obtained his law degree with honour at the University of London in 1986 and further obtained his Postgraduate Certificate of Laws at University of Hong Kong in 1987. He resigned from the Customs and Excise Department in 1987 and started his legal career. He has been a solicitor practicing in Hong Kong since 1989. He joined Messer. Tony Kan & Co. in 1987 and became a partner in 1992. He retired from the partnership in 2004 but continues to associate with the law firm as a consultant till now.

Mr. Chung has wide experience in the hotel, gaming and entertainment industry. During the years between 2001 and 2009 he had been the directors of various companies which owned and/or operated the Fort Ilocandia Hotel and Casino at Laoag, Philippines, Fontana Resort and Casino at Clark, Philippines, Waldo Hotel and Grand Waldo Hotel at Macau. His involvement in these properties covered acquisition, planning, construction, management and operation.

Mr. Chung has also experience in the management of listed company at Hong Kong. He was appointed as a director of United Power Investment Limited (now renamed as Culture Landmark Investment Limited) in 2001 and resigned in January 2008.

MR. HO HON CHUNG, IVAN, aged 57, was appointed as an executive director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. TANG TSZ MAN, PHILIP, aged 46, joined the Group as an executive director and an authorized representative of the Company in August 2003 and has also served as a director of certain subsidiaries of the Company. Mr. Tang has over 20 years of business management experience in telecommunication industry and manufacture of metal products industry.

MR. FUNG WA KO, aged 50, is currently a non-executive director of the Company. Mr. Fung joined the Group as an executive director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorized representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an executive director to a non-executive director and resigned as the Chief Executive Officer and an authorized representative. He resigned as the Chairman of the Company in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 68, joined the Group as an independent non-executive director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading in Hong Kong.

MR. LEUNG CHI HUNG, aged 56, joined the Group as an independent non-executive director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of Finet Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 44, joined the Group as an independent non-executive director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Vice President of the Intellectual Property Committee of The Hong Kong Chamber of Small and Medium Business, the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd. and ECO Foundation Limited.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 9 to 10, as well as their emoluments as set out in note 10 to the consolidated financial statements, of this annual report, there are no other changes in directors' information.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41(i) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 29.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2011, the Company's reserves available for distribution consisted of contributed surplus of HK$84,239,000 (2010: HK$84,239,000) and accumulated losses of HK$70,683,000 (2010: HK$48,401,000).

Details of the Company's distributable reserves are set out in note 41(ii) to the consolidated financial statements.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah (appointed on 9th September, 2011)
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-Executive Director

Mr. Fung Wa Ko (resigned as the Chairman on 14th October, 2011)

Independent Non-Executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Chung Siu Wah ("Mr. Chung") and Mr. Choy Kai Sing ("Mr. Choy") as executive directors; Mr. Fung Wa Ko ("Mr. Fung") as non-executive director; Mr. Tse Yuen Ming ("Mr. Tse") and Mr. Leung Chi Hung ("Mr. Leung") as independent non-executive directors.

Mr. Chung was appointed as an executive director by the Board of the Company on 9th September, 2011. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Chung will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Choy, Mr. Fung and Mr. Tse retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Tse and Mr. Leung were appointed to be independent non-executive director on 6th August, 2003 and 4th September, 2003 respectively. Therefore, Mr. Tse and Mr. Leung will accordingly serve the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. In order to comply with the code provision A.4.3 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in Appendix 14, separate resolutions would be set out for shareholders to approve the further appointment of Mr. Tse and Mr. Leung in the forthcoming annual general meeting.

The Company entered into letters of appointment with all directors on 28th March, 2012 for a period of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2011, none of the directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 27 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2011 and 31st December, 2011 and no share option was granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the above-mentioned share option scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2011, to the best knowledge of the directors or chief executives of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions of the substantial shareholders in the shares and underlying shares of the Company:

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited *(Note 1)*	Beneficial owner	202,323,133	–	14.05%
Yuen Kin Wing *(Note 1)*	Interest of controlled corporation	202,323,133	–	14.05%
Bingo Chance Limited *(Note 2)*	Beneficial owner	140,000,000	–	9.73%
Elite Plan Investments Limited *(Note 2)*	Interest of controlled corporation	140,000,000	–	9.73%
Wulglar Wai Wan *(Note 2)*	Interest of controlled corporation	140,000,000	–	9.73%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wings, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 31st December, 2011, the directors or chief executives of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2011, the aggregate amount of turnover attributable to the Group's 5 largest customers accounted for approximately 48% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 22% of the Group's total turnover.

For the year ended 31st December, 2011, the aggregate amount of purchases attributable to the Group's 5 largest suppliers accounted for approximately 52% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 24% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's 5 largest suppliers or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 16 to 26.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2011.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Au Tat Wai
Executive Director

Hong Kong,
28th March, 2012

Corporate Governance Report

The board of directors (the "Board") believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the Shareholders. For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, including the Internal Control Action Plan introduced in 2006 in order to systematically review the work procedures in different departments. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has also applied and complied with the principles of the code provision and certain recommended best practices under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2011, except for the deviations as stated in paragraph headed "Appointment, Re-election and Removal" and "Chairman and Chief Executive".

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely Audit Committee, Remuneration Committee and Nomination Committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2011 and up to the date of this annual report were:

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Chung Siu Wah (appointed on 9th September, 2011)
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director

Mr. Fung Wa Ko (resigned as the Chairman on 14th October, 2011)

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on pages 9 to 10 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors and in particular, between the Chairman and the Chief Executive.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is the members of international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended at board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 2 general meetings and 16 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meetings	Attendance in board meetings
Executive Directors		
Mr. Au Tat Wai *(Chief Executive Officer)*	2/2	16/16
Mr. Choy Kai Sing	2/2	16/16
Mr. Chung Siu Wah (appointed on 9th September, 2011)	0/0	1/1
Mr. Ho Hon Chung, Ivan	1/2	16/16
Mr. Tang Tsz Man, Philip	0/2	15/16
Non-executive Director		
Mr. Fung Wa Ko (resigned as the Chairman on 14th October, 2011)	2/2	16/16
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	2/2	16/16
Mr. Leung Chi Hung	2/2	15/16
Mr. Tse Yuen Ming	2/2	14/16

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board, a board meeting will be held to deal with such matter and the Independent Non-executive Director who or whose associates, have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate. Any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant board meeting or will be regarded as no vote for the board resolutions.

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed director to his individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some Director's training courses for them to develop and explore their knowledge and skills.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

Appointment, Re-election and Removal

During the year ended 31st December, 2011, there was no service contract entered into between each of the Executive Directors and the Company. The appointment of each of the Executive Directors is subject to retirement by rotation and re-election under the Bye-Laws of the Company.

According to the code provision A.4.1, non-executive director should be appointed for a specific term of service. While there was no service contract entered into between the Non-executive Director, Mr. Fung Wa Ko, and the Company for a specific term of service during the year ended 31st December, 2011, his appointment is subject to retirement by rotation and re-election under the Bye-Laws of the Company.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal (continued)

During the year ended 31st December, 2011, each of Independent Non-executive Director has entered into a service contract for an initial period of 1 year and continues thereafter unless and until terminated by either party given the other not less than 3 months' notice but they are also subject to retirement by rotation and re-election under the Bye-Laws of the Company, so as to comply with code provision A.4.1.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2.

In order to comply with the code provision D.1.4 effective on 1st April, 2012, the Company entered into letters of appointment with all Directors (including Executive Directors, Non-executive Director and Independent Non-executive Directors) on 28th March, 2012 for an initial term of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

Chairman and Chief Executive

According to the CG Code requirement, the Chairman and Chief Executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The Chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

During the year ended 31st December, 2011, Mr. Fung Wa Ko has served as the Chairman of the Company until his resignation as the Chairman of the Company on 14th October, 2011, and Mr. Au Tat Wai and Mr. Choy Kai Sing have acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. The roles of Chairman and Chief Executive of the Company have been separately performed and the division of responsibilities between the Chairman and Chief Executive of the Company has been clearly set out that Mr. Fung Wa Ko was responsible for providing leadership for the Board, Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters. This separation ensures a clear distinction between the Chairman's and the Chief Executive's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there is no Chairman in the Company. The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with code provision A.2.1 if necessary.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code effective on 1st April, 2012, the terms of reference of the Nomination Committee was amended and approved on 28th March, 2012. It includes making recommendations for all appointment and re-appointment of Directors to the Board and is available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

Mr. Chung Siu Wah was appointed as Executive Director for an addition to the existing Board with effect from 9th September, 2011. In accordance with the bye-law 86(2) of the Company's Bye-Laws, he shall hold office until the forthcoming annual general meeting, and being eligible, offer himself for re-election.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Choy Kai Sing, Mr. Fung Wa Ko and Mr. Tse Yuen Ming will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Mr. Tse Yuen Ming ("Mr. Tse") and Mr. Leung Chi Hung ("Mr. Leung") were appointed to be Independent Non-executive Director on 6th August, 2003 and 4 September, 2003 respectively. Therefore, Mr. Tse and Mr. Leung will accordingly serve the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. In order to comply with the code provision A.4.3 effective on 1st April, 2012, separate resolutions would be set out for Shareholders to approve the further appointment of Mr. Tse and Mr. Leung in the forthcoming annual general meeting to be held on 21st May, 2012.

During the year ended 31st December, 2011, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly. In addition, the Nomination Committee has also assessed the appointment of Director.

Remuneration Committee

The Remuneration Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code effective on 1st April, 2012, the terms of reference of the Remuneration Committee was amended and approved on 28th March, 2012. The latest terms of reference is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and advising the Board on the remuneration of the Independent Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 9th January, 2006 ("Share Option Scheme"). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their contributions to the Group.

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2011 are set out in note 10 to the consolidated financial statements and details of the Share Option Schemes are set out in the Directors' Report and note 27 to the consolidated financial statements.

During the year ended 31st December, 2011, the significant matters discussed by the Remuneration Committee are summarized as follows:–

- Review and approve the current remuneration policy of the Group; and

- Review the remuneration package of the board members and senior management of the Group and make recommendation to the Board.

Audit Committee

The Audit Committee was established on 12th January, 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee was adopted on 28th March, 2012 and it is available on the website of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

COMMITTEES OF THE BOARD (continued)

Audit Committee (continued)

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2011, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2010 and the unaudited financial statements for 3 months ended 31st March 2011, 6 months ended 30th June, 2011 and 9 months ended 30th September, 2011;

2. reviewed the accounting principles and practices adopted by the Group;

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors;

5. reviewed the daily operation work-flow of the major departments and divisions for sub-group; and

6. reviewed the effectiveness of internal control system.

Each member of the Audit Committee has unrestricted access to the Auditors and all senior management of the Group. During the year ended 31st December, 2011, the Audit Committee had met twice with the external auditors.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 26th March, 2012, the Audit Committee reviewed the internal control report, the Directors' report and financial statements for the year ended 31st December, 2011 together with the annual results announcement, with a recommendation to the Board for approval.

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Nomination Committee	Remuneration Committee	Audit Committee
Mr. Fung Siu Kit, Ronny	1/1	1/1	6/6
Mr. Leung Chi Hung	1/1	1/1	6/6
Mr. Tse Yuen Ming	1/1	1/1	5/6

The Board has ensured that the Board Committees are provided sufficient resources to perform their duties.

Corporate Governance

The Board is responsible for performing the corporate governance duties of the Company. A terms of reference was adopted by the Board on 28th March, 2012 setting out the duties of the Board on corporate governance to comply with CG Code effective on 1st April, 2012.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's financial statements for the year ended 31st December, 2011. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 27.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy").

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with the Securities Dealing Policy. No incident of non-compliance was noted by the Company during the year under review.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2011 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2011 has been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2011, the external auditors of the Group provided the following services to the Group:

	2011 **HK$'000**	2010 HK$'000
Audit services	**900**	664
Non-audit services – review on interim results	**200**	190
Total:	**1,100**	854

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and Shareholders' interest, as well as for reviewing its effectiveness of the internal control system through the Audit Committee. The Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

The Board, through the Audit Committee, has conducted the internal control review. Since 2006, the Company has been putting a lot of effort on improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating the internal control of the Group.

The Internal Control Action Plan included the following stages:

In stage one, a high-level risk assessment was conducted by an external advisor to review the internal control system of the Group and was completed in 2006.

In stage two, which was started in 2007, review was conducted on each department and which included the following steps:

1. Document the work-flow of each department of Company's major subsidiaries to review their existing internal control system;

2. Carry out walk through test for the internal control system on each department and verify the effectiveness of such control;

3. Carry out detail sample testing on the internal control system of each department and make recommendations to those weaknesses identified; and

4. Re-test the control implementation.

Apart from the Internal Control Action Plan, the Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of each department.

The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

The Company has already started to setup the Group's KTV business in Mainland China during the year under review. In this new business division, the Group would also adopt a series of operation procedures and internal control policies to avoid any deficiency.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

In addition, there are internal control policies in different departments (i.e. administration and human resources department, training department, financial department, purchasing department and operation department) of the subsidiaries of the Company in PRC during the year.

During the year ended 31st December, 2011, all the internal control review findings and recommendations of internal control have been reported to the Board and the Audit Committee. The Board and the Audit Committee considered that the internal control system and procedures of the Group were effective and adequate and the recommendations for improvements will be properly followed up to ensure that they are implemented within a reasonable period of time.

As an integral part of good corporate governance, the internal control system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. The Company values communication with shareholders and investors. Enquiries and suggestions from shareholders or investors are welcomed, and enquiries from shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;

2. By telephone at telephone number (852) 3107 8600;

3. By fax at fax number (852) 2666 0803; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. According to the CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Remuneration and Nomination Committees to answer the questions at the general meeting. The chairmen of Audit, Remuneration and Nomination Committees had attended the annual general meeting and the special general meeting held on 27th May, 2011 and 2nd September, 2011 respectively. To comply with code provision E.1.2 effective on 1st April, 2012, the management will ensure the external auditor to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the Company's paid up capital carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a shareholders communication policy on 28th March, 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 effective on 1st April, 2012.

In order to promote effective communication, the Company also maintains websites (www.irasia.com/listco/hk/daido/index.htm) which include the latest information relating to the Group and its businesses.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF DAIDO GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 77, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong,
28th March, 2012

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	4	**172,793**	178,080
Direct costs		**(157,867)**	(153,338)
Gross profit		**14,926**	24,742
Other income	5	**7,138**	6,604
Selling and distribution expenses		**(4,945)**	(4,438)
Administrative expenses		**(22,536)**	(20,657)
Other operating expenses		**(34,236)**	–
Other gains and losses	6	**(190)**	3,336
Impairment loss on available-for-sale investments	15	**(35,300)**	–
Finance costs	7	**(6,427)**	(7,104)
(Loss) profit before tax		**(81,570)**	2,483
Tax credit (charge)	8	**328**	(80)
(Loss) profit for the year attributable to owners of the Company	9	**(81,242)**	2,403
Other comprehensive income for the year			
Exchange differences arising on translation of the foreign operations		**393**	–
Total comprehensive (expense) income for the year attributable to owners of the Company		**(80,849)**	2,403
(Loss) earnings per share – basic and diluted	12	**(HK6.48 cents)**	HK0.24 cents

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**80,206**	20,689
Goodwill	14	**8,836**	8,513
Available-for-sale investments	15	**53,620**	88,920
Loans to an investee	16	**68,802**	63,412
Financial assets at fair value through profit or loss	17	**7,077**	7,767
Deposits for acquisition of property, plant and equipment		**15,233**	70
Rental deposits paid		**25,072**	16,352
Pledged bank deposits	21 & 31	**78,718**	68,906
		337,564	274,629
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	19	**53,227**	41,528
Held for trading investments	20	**601**	–
Bank balances and cash	21	**89,572**	153,561
		143,400	195,089
Assets classified as held for sale	22	**–**	19,500
		143,400	214,589
CURRENT LIABILITIES			
Trade and other payables	23	**17,135**	23,254
Tax payable		**–**	39
Obligations under finance leases	24	**349**	148
Convertible bonds	29	**–**	23,096
Promissory notes	25	**4,762**	4,762
		22,246	51,299
NET CURRENT ASSETS		**121,154**	163,290
TOTAL ASSETS LESS CURRENT LIABILITIES		**458,718**	437,919

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	26	**14,394**	9,996
Share premium and reserves		**383,208**	375,126
Equity attributable to owners of the Company		**397,602**	385,122
Non-controlling interests		**11,522**	8,120
		409,124	393,242
NON-CURRENT LIABILITIES			
Obligations under finance leases	24	**722**	471
Amount due to non-controlling interests of a subsidiary	28	**24,594**	24,594
Promissory notes	25	**15,960**	19,284
Deferred tax liabilities	30	**–**	328
Other liabilities	23	**8,318**	–
		49,594	44,677
		458,718	437,919

The consolidated financial statements on pages 29 to 77 were approved and authorised for issue by the Board of Directors on 28th March, 2012 and are signed on its behalf by:

AU TAT WAI
Director

CHOY KAI SING
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note)*	Retained profits HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2010	9,996	172,770	39,984	151,822	8,147	–	382,719	4,691	387,410
Profit for the year and total comprehensive income	–	–	–	2,403	–	–	2,403	–	2,403
Deemed contribution on interest-free advance from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	3,429	3,429
At 31st December, 2010	9,996	172,770	39,984	154,225	8,147	–	385,122	8,120	393,242
Loss for the year	–	–	–	(81,242)	–	–	(81,242)	–	(81,242)
Other comprehensive income for the year	–	–	–	–	–	393	393	–	393
Total comprehensive (expense) income for the year	–	–	–	(81,242)	–	393	(80,849)	–	(80,849)
Deemed contribution on interest-free advance from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	3,402	3,402
Issues of shares pursuant to placing and subscription arrangements	4,398	90,323	–	–	–	–	94,721	–	94,721
Transaction costs attributable to issue of new shares	–	(1,392)	–	–	–	–	(1,392)	–	(1,392)
Released upon expiry of convertible bonds	–	–	–	8,147	(8,147)	–	–	–	–
At 31st December, 2011	14,394	261,701	39,984	81,130	–	393	397,602	11,522	409,124

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTE	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(81,570)**	2,483
Adjustments for:			
Depreciation of property, plant and equipment		**5,795**	6,215
Finance costs		**6,427**	7,104
Gain on disposal of property, plant and equipment		**(294)**	(236)
Interest income		**(6,804)**	(5,987)
Change in fair value of investment properties		**(500)**	(3,100)
Impairment loss on available-for-sale investments		**35,300**	–
Fair value loss on held for trading investments		**294**	–
Fair value loss on financial assets at fair value through profit or loss		**690**	–
Operating cash flows before movements in working capital		**(40,662)**	6,479
Increase in rental deposits paid		**(8,720)**	–
Increase in trade and other receivables, deposits and prepayments		**(11,645)**	(6,663)
Increase in trade and other payables		**2,197**	3,663
Net cash (used in) generated from operations		**(58,830)**	3,479
Hong Kong Profits Tax (paid) refunded		**(39)**	39
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(58,869)**	3,518
INVESTING ACTIVITIES			
Interest received		**1,414**	1,019
Purchase of property, plant and equipment		**(64,717)**	(3,630)
Deposits for acquisition of property, plant and equipment		**(15,233)**	(70)
Proceeds from disposal of property, plant and equipment		**438**	265
Proceeds from disposal of investment properties		**20,000**	–
Purchase of held for trading investments		**(895)**	–
Increase in pledged bank deposits		**(9,812)**	–
Purchase of financial assets at fair value through profit or loss		**–**	(7,767)
Acquisition of a subsidiary	35	**(392)**	4,622
NET CASH USED IN INVESTING ACTIVITIES		**(69,197)**	(5,561)
FINANCING ACTIVITIES			
Repayment of promissory notes		**(5,000)**	(5,000)
Interest paid		**(45)**	(19)
Repayment of obligations under finance leases		**(148)**	(64)
Proceeds from issue of new shares		**94,721**	–
Transaction cost attributable to issue of new shares		**(1,392)**	–
Repayment of convertible bonds		**(24,400)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**63,736**	(5,083)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(64,330)**	(7,126)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**153,561**	160,687
Effect of foreign exchange rate changes		**341**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**89,572**	153,561

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The principal activities of the Group are provision of cold storage and related services, operation of karaoke outlets and related services in the People's Republic of China and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

[1] Effective for annual periods beginning on or after 1st July, 2011
[2] Effective for annual periods beginning on or after 1st January, 2013
[3] Effective for annual periods beginning on or after 1st January, 2015
[4] Effective for annual periods beginning on or after 1st January, 2012
[5] Effective for annual periods beginning on or after 1st July, 2012
[6] Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and have potential impact on financial assets at fair value through profit or loss. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onwards).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and title have passed, at which time, all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainly ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to an investee, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as FVTPL, held-to-maturity investments, or loans and receivables. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments carried at cost will not be reversed through profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bond equity reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds (continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, promissory notes, liability component of the convertible bonds and amount due to non-controlling interests of a subsidiary) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Karaoke outlets and related services in the People's Republic of China (the "PRC") ("Karaoke outlets and related services")

During the year, the Group started the karaoke outlets and related services in the PRC. As it is still under development stage, no revenue from this segment was generated for year ended 31st December, 2011. In prior years, cold storage and logistic services and manufacturing and trading of ice are analysed into one single segment, i.e. cold storage and related services in Hong Kong.

Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31st December, 2011

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Total HK$'000
Revenue	**172,793**	**–**	**172,793**
Segment loss	**(1,818)**	**(34,236)**	**(36,054)**
Unallocated income			**7,195**
Unallocated expenses			**(10,500)**
Change in fair value of financial instruments			**(984)**
Change in fair value of investment properties			**500**
Impairment loss on available-for-sale investments			**(35,300)**
Finance costs			**(6,427)**
Loss before tax			**(81,570)**

4. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results (continued)

For the year ended 31st December, 2010

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Total HK$'000
Revenue	178,080	–	178,080
Segment profit	9,277	–	9,277
Unallocated income			6,422
Unallocated expenses			(9,212)
Change in fair value of investment properties			3,100
Finance costs			(7,104)
Profit before tax			2,483

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the (loss) profit from each segment without allocation of interest income, sundry income, central administration costs including part of auditor's remuneration and directors' remuneration, change in fair value of investment properties and financial instruments, impairment loss on available-for-sale investments and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011 HK$'000	2010 HK$'000
ASSETS		
Cold storage and related services	**85,879**	80,919
Karaoke outlets and related services	**95,194**	–
Total segment assets	**181,073**	80,919
Unallocated assets	**299,891**	408,299
Consolidated assets	**480,964**	489,218
LIABILITIES		
Cold storage and related services	**14,383**	14,425
Karaoke outlets and related services	**10,811**	–
Total segment liabilities	**25,194**	14,425
Unallocated liabilities	**46,646**	81,551
Consolidated liabilities	**71,840**	95,976

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss, held for trading investments, pledged bank deposits, bank balances and cash, assets classified as held for sale, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services and karaoke outlets and related services as described in note 14; and

- all liabilities are allocated to operating segments other than tax payable and deferred tax liabilities, promissory notes, amount due to non-controlling interests of a subsidiary and convertible bonds and certain other payables.

Other segment information

2011

	Cold storage and related services HK$'000	**Karaoke outlets and related services HK$'000**	**Segments total HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	**4,606**	**84,986**	**89,592**	**88**	**89,680**
Depreciation	**5,655**	**8**	**5,663**	**132**	**5,795**
Gain on disposal of property, plant and equipment	**129**	**–**	**129**	**165**	**294**

2010

	Cold storage and related services HK$'000	Karaoke outlets and related services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	4,292	–	4,292	158	4,450
Depreciation	5,981	–	5,981	234	6,215
Gain on disposal of property, plant and equipment	236	–	236	–	236

Note: Additions to non-current assets represented additions to property, plant and equipment, goodwill, deposits for acquisition of property, plant and equipment and rental deposits paid.

4. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Unallocated	
	2011	2010
	HK$'000	HK$'000
Interest revenue	**(6,804)**	(5,987)
Interest expense	**6,427**	7,104
Tax (credit) charge	**(328)**	80
Change in fair value of investment properties	**(500)**	(3,100)

Geographical information

The Group's operations are located in Hong Kong and the PRC. The Group's revenue are wholly derived from Hong Kong as the karaoke outlets and related services has not started during the year.

Information about of the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss and pledged bank deposits) are set out below:

	2011	2010
	HK$'000	HK$'000
Hong Kong	**44,221**	45,530
PRC	**85,126**	94
	129,347	45,624

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2011	2010
	HK$'000	HK$'000
Cold storage and logistic services	**168,021**	174,143
Manufacturing and trading of ice	**4,772**	3,937
	172,793	178,080

4. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from cold storage and related services are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A	**37,349**	37,665
Customer B	**20,097**	25,153

5. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Bank interest income	**1,414**	1,019
Imputed interest income from loans to an investee	**5,390**	4,968
Sundry income	**334**	617
	7,138	6,604

6. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	HK$'000
Change in fair value of investment properties	**500**	3,100
Gain on disposal of property, plant and equipment	**294**	236
Fair value loss on financial assets at fair value through profit or loss	**(690)**	–
Fair value loss on held for trading investments	**(294)**	–
	(190)	3,336

7. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on obligations under finance leases	**45**	19
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**3,402**	3,373
Imputed interest expense on convertible bonds	**1,304**	1,803
Imputed interest expense on promissory notes	**1,676**	1,909
	6,427	7,104

8. INCOME TAX

	2011 **HK$'000**	2010 HK$'000
The tax (credit) charge comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	**–**	(84)
Deferred tax *(note 30)*		
Current year	**(328)**	164
Tax (credit) charge	**(328)**	80

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits tax is required as the individual companies comprising the Group either incurred a loss or has tax losses to offset the assessable profit.

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of comprehensive income as follows:

	2011 **HK$'000**	2010 HK$'000
(Loss) profit before tax	**(81,570)**	2,483
Tax at the Hong Kong Profits Tax rate of 16.5%	**(13,459)**	410
Tax effect of expenses not deductible for tax purpose	**11,790**	1,197
Tax effect of income not taxable for tax purpose	**(1,194)**	(1,498)
Tax effect of tax losses not recognised	**2,536**	171
Tax effect of temporary differences not recognised	**(1)**	105
Utilisation of tax losses previously not recognised	**–**	(242)
Overprovision in respect of prior years	**–**	(84)
Others	**–**	21
Tax (credit) charge for the year	**(328)**	80

Details of deferred taxation are set out in note 30.

9. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	900	664
Depreciation for property, plant and equipment	5,795	6,215
Exchange loss, net	1,014	–
Other operating expenses *(Note)*	34,236	–
Minimum lease payments for operating leases in respect of rented premises	89,017	66,220
Gross rental income from investment properties	(225)	(435)
Less: Direct expense from investment properties	107	110
	(118)	(325)
Total staff costs (including directors' emoluments)	58,680	45,256

Note: The amount mainly represents pre-operating expenses including rental expenses and staff cost incurred in the development of Karaoke outlets and related services in the PRC.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2010: 8) directors were as follows:

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Chung Siu Wah HK$'000	Au Tat Wai HK$'000	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	2011 HK$'000
Fees	715	120	90	90	–	72	80	132	132	1,431
Other emoluments										
Salaries and other benefits	–	–	–	–	976	1,017	–	1,258	1,034	4,285
Contributions to retirement benefits scheme	–	4	–	–	27	32	–	81	16	160
Total emoluments	715	124	90	90	1,003	1,121	80	1,471	1,182	5,876

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Au Tat Wai HK$'000	Fung Siu Kit, Ronny HK$'000	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	2010 HK$'000
Fees	655	120	90	90	72	80	132	132	1,371
Other emoluments									
Salaries and other benefits	65	–	–	–	715	–	884	980	2,644
Contributions to retirement benefits scheme	–	4	–	–	29	–	73	16	122
Total emoluments	720	124	90	90	816	80	1,089	1,128	4,137

No directors waived any emoluments in the year ended 31st December, 2011 and 2010.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Five (2010: Four) out of the five highest paid individuals of the Group were directors of the Company (see above tables for details). None of which were employees for part of the year and their emoluments as employees, together with no (2010: one) remaining highest paid individuals were included in the following:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	–	578
Contribution to retirement benefits scheme	–	12
	–	590

Their emoluments were within the following band:

	2011 Number of employees	2010 Number of employees
Nil to HK$1,000,000	–	1

11. DIVIDEND

No interim dividend is paid during the year (2010: nil).

The directors do not recommend the payment of a dividend for the year (2010: nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the company is based on the following data:

	2011 HK$'000	2010 HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(81,242)**	2,403

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,254,181**	999,600

The weighted average number of ordinary shares for 2011 has been adjusted for issue of new shares as disclosed in note 26.

The computation of diluted loss/earnings per share does not assume the conversion of outstanding convertible bonds since their conversion would result in a decrease/an increase in loss/earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1st January, 2010	20,421	1,412	6,146	17,436	–	45,415
Additions	–	212	1,226	2,848	–	4,286
Acquired on acquisition of a subsidiary	–	94	–	–	–	94
Disposals	(38)	(199)	(483)	(649)	–	(1,369)
At 31st December, 2010	20,383	1,519	6,889	19,635	–	48,426
Additions	–	24	1,474	2,120	61,769	65,387
Acquired on acquisition of a subsidiary	–	–	–	17	–	17
Disposals	–	–	(909)	(1,077)	–	(1,986)
Exchange realignment	–	–	26	26	–	52
At 31st December, 2011	20,383	1,543	7,480	20,721	61,769	111,896
DEPRECIATION						
At 1st January, 2010	7,285	1,316	4,592	9,669	–	22,862
Provided for the year	2,422	218	1,052	2,523	–	6,215
Eliminated on disposals	(37)	(178)	(475)	(650)	–	(1,340)
At 31st December, 2010	9,670	1,356	5,169	11,542	–	27,737
Provided for the year	2,422	81	668	2,624	–	5,795
Eliminated on disposals	–	–	(795)	(1,047)	–	(1,842)
At 31st December, 2011	12,092	1,437	5,042	13,119	–	31,690
CARRYING VALUES						
At 31st December, 2011	8,291	106	2,438	7,602	61,769	80,206
At 31st December, 2010	10,713	163	1,720	8,093	–	20,689

The above items of property, plant and equipment are depreciated using the straight-line method at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases and 25%
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

The carrying value of motor vehicles includes an amount of HK$1,025,000 (2010: HK$618,000) in respect of assets held under finance leases.

14. GOODWILL

	2011	2010
	HK$'000	HK$'000
COST		
At 1st January	**14,913**	14,913
Arising on acquisition of a subsidiary	**323**	–
At 31st December	**15,236**	14,913
IMPAIRMENT		
At 1st January and 31st December	**6,400**	6,400
CARRYING VALUES		
At 31st December	**8,836**	8,513

Goodwill arising from acquisition of subsidiaries amounting to HK$14,913,000 in 2006 of which HK$6,400,000 has been impaired was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage services and logistics.

Due to the effects caused by the rally in the economy and the mix of warehouse facility in 2010 and 2011, the Group has prepared its cash flow projections for the CGU by increasing the projected revenue generated from the cold storage and related services. Based on the above cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2010 and 2011. No impairment charge was necessary for both years.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2010: 5-year period), and discount rate of 16.58% (2010: 16.92%). The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

During the year, the Group acquired a subsidiary resulting in an increase in goodwill of HK$323,000. Details are disclosed in note 35.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(95,500)**	(60,200)
	53,620	88,920

The Group, through an acquisition of subsidiaries in 2006, acquired certain assets including the above available-for-sale investments which represent 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. In the opinion of the directors of the Company, the Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

Richbo is principally engaged in investment holding and holds 100% (2010: 100%) effective interest in Fast Profit Investments Limited, which in turn holds 20% (2010: 20%) interest in a jointly controlled entity that have an interest in hotel resort complex and hold 20% (2010: 20%) interest in a group that operates a hotel resort complex in Macau, the PRC. As at 31st December, 2011, the Group, through its subsidiary and Richbo, held 6% (2010: 6%) effective interest in the hotel resort complex and held 6% (2010: 6%) effective interest in the hotel resort complex operation.

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31st December, 2011, the Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows of the investments. During the year, the management of that jointly controlled entity has changed the strategic plans. Therefore, the cash flow projection is revised. Based on the revised cash flow projections and assumptions covering a 5-year period, discount rate of 16.94% (2010: 16.76%) and cash flows beyond 5-year period of a zero growth rate, an impairment loss of HK$35,300,000 is recognised (2010: Nil).

At 31st December, 2011 and 2010, the Group has equity interest in Richbo:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% *(note)*	Investment holding

Note: 40% equity interest in Richbo is held by Brilliant Gold International Limited, a subsidiary in which the Company has 75% equity interest. None of the directors of the Company have beneficial interest in Richbo or being a board member of Richbo.

16. LOANS TO AN INVESTEE

The loans to Richbo are unsecured, interest-free and with no fixed repayment terms. The directors of the Company considered that the amount will not be repaid within twelve months from the end of the reporting period, and accordingly, the amounts are shown as non-current.

At 31st December, 2008, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. Accordingly, the outstanding balance of the loans was discounted to its fair value of HK$53,866,000 in three yearly installments commencing from 2016 using the original effective interest rate of 8.5% per annum. An adjustment of HK$61,058,000 has been charged to the profit or loss in 2008.

During the year ended 31st December, 2011, the Group recognised interest income of HK$5,390,000 (2010: HK$4,968,000) at the effective interest rate of 8.5% (2010: 8.5%) per annum.

At 31st December, 2010 and 2011, the Group re-assessed the future repayment schedule of the outstanding loans and considered that the repayment of the loans will remain to be in three yearly installments commencing from 2016 after taking into account the financial ability of the investees and the project development plan. No further adjustment on loans to an investee was required for 2010 and 2011.

The fair value of the loans to an investee at 31st December, 2011, estimated by the current market interest rate of 16.9% (2010: 16.8%) per annum was HK$44,155,000 (2010: HK$38,162,000).

The credit risk on loans to an investee is mentioned in note 40(b).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss is analysed as:

	2011 **HK$'000**	2010 HK$'000
United States Dollars ("USD") foreign exchange linked note, at fair value	**7,077**	7,767

In 2010, the Group entered into a five-year USD foreign exchange linked note ("Note") with a bank amounting to USD1 million ("notional amount"). The Note contains an annual coupon of 2.12%. In addition, upon the maturity date, the Company will receive the principal of USD1 million plus an additional payment. If Renminbi ("RMB") appreciates over the 60 month-on-month periods, the Company will be entitled to an additional payment equal to 25% of notional amount at maximum. If RMB keeps depreciating on month-on-month basis, the Company will receive less than this amount or no additional payment.

The fair value of the financial assets at fair value through profit or loss has decreased by HK$690,000 during the year.

18. INTERESTS IN JOINTLY CONTROLLED OPERATION

The Group had entered into a joint venture agreement in the form of a jointly controlled operation to jointly provide logistics services in 2006. The Group had a 50% interest in the joint venture.

On 31st July, 2010, the joint venture agreement was terminated. All assets and liabilities held under the joint venture was transferred to the Group thereafter. The aggregate amount of assets, liabilities, income and profits recognised in the consolidated financial statements in relation to interests in jointly controlled operation are as follows:

	2010 HK$'000
Assets	–
Liabilities	–
Income	633
Expenses	(723)

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**39,755**	33,541
Less: allowance for doubtful debts	**(16)**	(20)
	39,739	33,521
Deposits and prepayments *(Note 1)*	**10,563**	3,853
Other receivables	**2,925**	1,786
Amount due from non-controlling interest of a subsidiary *(Note 2)*	**–**	2,368
	53,227	41,528

Note 1: Included in the amount is HK$6,229,000 (2010: nil) relating to the prepayment of rental expenses for karaoke outlets and related services.

Note 2: The amount due from non-controlling interest of a subsidiary is unsecured, interest-free and repayable on demand.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The aged analysis of trade receivables by invoice dates are as follows:

	2011 HK$'000	2010 HK$'000
0-30 days	**15,012**	15,276
31-60 days	**12,094**	11,936
61-90 days	**5,398**	6,299
91-120 days	**3,987**	7
More than 120 days	**3,248**	3
	39,739	33,521

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$23,299,000 (2010: HK$15,853,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2011 HK$'000	2010 HK$'000
1-30 days	**12,545**	13,020
31-60 days	**7,357**	2,640
61-90 days	**3,397**	193
	23,299	15,853

The movement in the allowance for doubtful debts during the year is as follows:

	2011 HK$'000	2010 HK$'000
At beginning of the year	**20**	137
Amounts written off during the year	**(4)**	(117)
At end of the year	**16**	20

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

20. HELD FOR TRADING INVESTMENTS

	2011 HK$'000	2010 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**601**	–

21. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.54% (2010: 0.69%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 1.54% (2010: 1.60%) per annum.

Pledged bank deposits have been pledged to secure the long-term operating lease commitment and are therefore classified as non-current assets.

22. ASSETS CLASSIFIED AS HELD FOR SALE

In February 2010, the Group entered into a sale and purchase agreement to dispose of its entire interest in a subsidiary of which the major assets are the investment properties with carrying amount of HK$19,500,000 as at 31st December, 2010 at total consideration of HK$20,000,000 (subject to adjustment).

In February 2011, the Group entered into a supplemental agreement to dispose of only the investment properties of the subsidiary at a consideration of HK$20,000,000. The transaction was completed on 31st May, 2011.

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$4,556,000 (2010: HK$5,218,000) and amount due to non-controlling interests of a subsidiary of nil (2010: HK$6,958,000). The amount due to non-controlling interests is unsecured, interest-free and repayable on demand.

The aged analysis of trade payables presented based on the invoice date are as follows:

	2011 HK$'000	2010 HK$'000
0-30 days	**3,235**	3,646
31-60 days	**1,205**	1,487
61-90 days	**116**	85
	4,556	5,218

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

Non-current other liabilities represented the lease incentive and progressive yearly rental over the lease term of 8 to 10 years.

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**410**	193	**349**	148
In the second to fifth year inclusive	**769**	525	**722**	471
	1,179	718	**1,071**	619
Less: future finance charges	**(108)**	(99)		
Present value of lease obligations	**1,071**	619		
Less: Amount due for settlement within one year shown under current liabilities			**(349)**	(148)
Amount due for settlement after one year			**722**	471

The obligations under finance leases represent the finance leases for three (2010: two) motor vehicles. The term of the leases ranges from three to five years (2010: four to five years) at a fixed rate of 3% to 5% (2010: 3% to 5%) per annum. The obligations are secured by the lessor's charge over the leased assets.

25. PROMISSORY NOTES

	2011	2010
	HK$'000	HK$'000
The promissory notes are repayable as follows:		
Within one year	**4,762**	4,762
In the second year	**4,431**	4,431
In the third to fifth year inclusive	**11,529**	11,531
Over five years	**–**	3,322
	20,722	24,046
Less: Amounts due for settlement within one year shown under current liabilities	**(4,762)**	(4,762)
Amounts due for settlement after one year	**15,960**	19,284

The fair value of promissory notes at 31st December, 2011 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 13.9% (2010: 13.9%) per annum was HK$17,958,000 (2010: HK$20,147,000).

25. PROMISSORY NOTES (continued)

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each.
Issue price:	HK$50,000,000
Interest:	Zero-coupon
Original effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK$5 million each on the consecutive anniversary of the date of issue of the promissory notes i.e. 8th September, 2006.
Early repayment:	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition in 2006 and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

The promissory notes contain two components, liability and the issuer's early repayment option.

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at the end of the reporting period.

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000	'000	HK$'000
Ordinary shares of HK$0.01 each				
At 1st January, 2010 and 31st December, 2010	60,000,000	600,000	999,600	9,996
Issue of new shares pursuant to placing and subscription arrangements *(Note)*	–	–	439,820	4,398
At 31st December, 2011	60,000,000	600,000	1,439,420	14,394

Note:

On 30th March, 2011, arrangements were made for a placement to independent private investors of 199,920,000 shares of HK$0.01 each in the Company held by the existing shareholder, Ever Achieve Enterprises Limited ("Ever Achieve"), at a placing price of HK$0.235 per share representing a discount of approximately 18.97% to the closing market price of the Company's shares on 30th March, 2011. The placement was completed on 4th April, 2011.

Pursuant to a subscription agreement of 30th March, 2011, Ever Achieve subscribed for 199,920,000 new shares of HK$0.01 each in the Company at a subscription price of HK$0.235 per share. The subscription was completed on 8th April, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 9th June, 2010 and rank pari passu with other shares in issue in all respects.

On 12th July, 2011, arrangements were made for a placement to independent private investors of 239,900,000 new shares of HK$0.01 each in the Company at a price of HK$0.199 per share representing a discount of approximately 17.08% to the closing market price of the Company's shares on 12th July, 2011. The placement was completed on 21st July, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 27th May, 2011 and rank pari passu with other shares in issue in all respects.

27. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' resolution passed on 9th January, 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group and will expire on 8th January, 2016.

Under the Scheme, the directors of the Company are authorised at their absolute discretion, to invite any person or group (the "Eligible Participant"), who is eligible to participate in the Scheme, to take up options to subscribe for shares of the Company (the "Share(s)"), at a price equal to the highest of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of offer; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (3) the nominal value of a Share.

Options granted must be taken up not later than 21 days after the date of offer. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of offer of the option, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses under the early termination or cancellation provisions under the Scheme or 10 years from the offer date of the option. A price of HK$1.00 is payable by the Eligible Participant to the Company on acceptance of the offer of the option.

27. SHARE OPTION SCHEMES (continued)

The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the limit. The Scheme Mandate Limit (as defined below) under the Scheme was refreshed and renewed by an ordinary resolution passed by the shareholders at a special general meeting held on 2nd September, 2011 which enabled the grant of further share options to subscribe up to 143,942,000 Shares (the "Scheme Mandate Limit"), representing 10% of the Shares in issue as at the said date and the date of this report.

The Company may seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit subject to requirements under Chapter 17 of the Listing Rules provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

As at the end of the reporting period, no share options have been granted by the Company since the adoption of the Scheme.

28. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The carrying amount with principal amount of HK$27,998,000 (2010: HK$27,998,000) is unsecured and interest-free and will not be demanded for repayment within twelve months from the end of the reporting period, and accordingly, the amount is shown as non-current.

During the year ended 31st December, 2011, the Group recognised interest expense of HK$3,402,000 (2010: HK$3,373,000) at the effective interest rate of 13.8% (2010: 13.7%) per annum.

As at 31st December, 2011, the Group agreed with the non-controlling interests of a subsidiary that the amount would not be repayable within twelve months from 31st December, 2011. The outstanding amount was therefore discounted to its fair value using the market interest rate of 13.8% (2010: 13.8%) per annum for one year, resulting in an adjustment of HK$3,402,000 (2010: HK$3,429,000) which has been credited to non-controlling interests in 2011.

The fair value of the amount due to non-controlling interests of a subsidiary at 31st December, 2011 by using the market interest rate of 13.8% (2010: 13.8%) per annum was HK$24,594,000 (2010: HK$24,594,000).

29. CONVERTIBLE BONDS

The Company issued zero-rate convertible bonds at the principal of HK$104.4 million during the year ended 31st December, 2006. The convertible bonds are denominated in Hong Kong dollars.

The convertible bonds contain a fixed term of five years from the date of issue. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the convertible bonds were issued, the Company can redeem the outstanding principal amount of the convertible bonds in whole or in part at redemption premium of 5% of the amount to be redeemed by giving a prior ten business days' written notice to the convertible bonds holders, at any time commencing from the issue date of the bonds and prior to the maturity date. The initial conversion price is HK$0.116 per share and subject to anti-dilutive adjustments, and the convertible bonds do not confer any voting rights at any meetings of the Company. Provided that the conversion does not trigger off a mandatory offer under rule 26 of The Codes on Takeovers and Mergers in Hong Kong on the part of the bondholder(s), the bondholder(s) may convert the whole or part (in multiples of HK$1 million) of the principal amount of the convertible bonds into shares at the conversion price from the issue date up to the maturity date. The Company shall redeem the outstanding convertible bonds at face values at the maturity date.

As a result of the share consolidation in 2009, the conversion price has been adjusted from HK$0.116 to HK$0.58 with effect from 23rd November, 2009, being the business date immediately preceding the date on which the share consolidated became effective. Details of adjustment of the conversion price are set out in the Company's announcement dated 23rd November, 2009.

The convertible bonds contain three components, liability, equity element and the issuer's redemption option. The equity element is presented in equity heading "convertible bond equity reserve". The effective interest rate of the liability component is 8.5% per annum.

The fair value of the redemption option of the convertible bonds was considered as insignificant at the date of issue and as at year ended 31st December, 2010.

The fair value of the liability component of the convertible bonds at 31st December, 2010, determined based on the present value of the estimated future cash outflows discounted at an effective interest rate of 13.9% per annum for an equivalent non-convertible bonds was HK$22,321,000.

During the year, the convertible bonds remained unexercised and redeemed. The movement of the liability component of the convertible bonds for the year is set out below:

	2011 **HK$'000**	2010 HK$'000
Carrying amount at beginning of the year	**23,096**	21,293
Interest charge	**1,304**	1,803
Redeemed upon expiry of convertible bonds	**(24,400)**	–
Carrying amount at end of the year	**–**	23,096

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2010	764	(928)	(164)
Charge for the year	(77)	(87)	(164)
At 31st December, 2010	687	(1,015)	(328)
Credit for the year	(267)	595	328
At 31st December, 2011	420	(420)	–

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has unused tax losses of HK$53,810,000 (2010: HK$40,059,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,545,000 (2010: HK$4,164,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$51,265,000 (2010: HK$35,895,000) due to the unpredictability of future profit streams.

31. PLEDGE OF ASSETS

As at 31st December, 2011, bank facilities to the extent of HK$3,500,000 (2010: HK$3,500,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (2010: HK$3,500,000). The amount utilised at 31st December, 2011 was approximately HK$3,190,000 (2010: approximately HK$3,100,000).

As at 31st December, 2011, bank deposits of HK$75,218,000 (2010: HK$65,406,000) are pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

32. CONTINGENT LIABILITIES

As at 15th February, 2005, the Group had disposed of certain subsidiaries, namely Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited, and provided a deed of indemnity to the purchaser up to 2012 in the amount of approximately HK$5 million in respect of potential tax claimed by tax authority of these subsidiaries. The directors have not received any claims from the acquirer and are of the opinion that the potential tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the consolidated financial statements of the Group.

The tax indemnity contingent liability has been lapsed on 14th February, 2012 without any claims.

During the year, two subsidiaries of the Group had dispute with a customer over the handling of the customer's goods. As against the two subsidiaries, the customer alleged that in the course of business, certain goods to which it claimed ownership were not delivered on demand, and claimed damages of goods amounting to EUR230,257 (approximately HK$2,310,000) and compensation for other losses. The Group are strongly resisting this claim. In the opinion of the directors, the potential liability, if any, will not be significant to the Group.

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses, office premises and premises for the operation of karaoke outlets and related services in the PRC in the future which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**86,777**	66,713
In the second to fifth year inclusive	**251,879**	261,626
Over five years	**11,109**	8,176
	349,765	336,515

Included in the above, the major lease contracts are negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2014 and rentals subsequent to February 2014 will be adjusted based on market conditions and the relevant terms of the leases.

34. CAPITAL COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**60,287**	–

35. ACQUISITION OF A SUBSIDIARY

On 15th March, 2011, the Group acquired 100% of the share capital of Rich Bright International Limited and its subsidiary ("Rich Bright") for a cash consideration of HK$900,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$323,000. Rich Bright was acquired for the operation of trading of wine in the PRC in the future.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	17
Other receivables	54
Bank balances and cash	508
Other payables	(2)
	577

35. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	900
Less: net assets acquired	(577)
Goodwill arising on acquisition	323

Net cash outflow on acquisition

	HK$'000
Cash consideration paid	900
Less: cash and cash equivalent balances acquired	(508)
	392

The revenue and financial results attributable to Rich Bright for the year ended 31st December, 2011 is not significant to the Group.

On 21st December, 2010, the Group acquired 99% of the registered capital of a company incorporated in Shenzhen, the PRC for consideration of RMB1. The transaction is acquisition of assets and liabilities through acquisition of a subsidiary. The subsidiary was acquired for the operation of karaoke business in the PRC in the future.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	94
Other receivables	2,280
Bank balances and cash	4,622
Other payables	(6,996)
	–
Net cash inflow on acquisition	4,622

36. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs (limited to HK$1,000 per each employee), the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

The total cost charged to the consolidated statement of comprehensive income of HK$2,115,000 (2010: HK$1,923,000) represents contributions payable to the MPF Scheme, there were no (2010: HK$6,000) forfeited contributions available to reduce future contributions at the end of the reporting period.

37. RELATED PARTY TRANSACTIONS

During the year, the Group did not enter into any transactions with its related parties.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 10. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amount of goodwill is HK$8,836,000 (net of accumulated impairment loss of HK$6,400,000). Details of the recoverable amount calculation are disclosed in note 14.

Estimated impairment of available-for-sale financial assets

Available-for-sale investments of the Group are stated at cost less impairment. Determining whether the available-for-sale investments are impaired requires an estimation of the expected future cash flows of the investments. The calculation required the management of the Group to estimate the returns to be generated from the investments and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amount of available-for-sale financial assets is HK$53,620,000 (2010: HK$88,920,000) (net of accumulated impairment loss of HK$95,500,000) (2010: HK$60,200,000).

38. KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimated adjustment on loans to an investee

Determining whether loans to an investee are adjusted requires management's best estimation on the expected repayment date of the loans. The directors of the Company considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investee and the project development plan of the investee. Where the actual future cash flows from the investee are less than expected or the timing of expected cash flows is revised, a material adjustment on loans to an investee may arise. As at 31st December, 2011, the carrying amount of loans to an investee is HK$68,802,000 (2010: HK$63,412,000).

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of debts, which includes the promissory notes, amount due to non-controlling interests of a subsidiary and convertible bonds disclosed in notes 25, 28 and 29 respectively and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and retained profits as disclosed in consolidated statement of changes in equity.

The directors of the Company reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from 2010.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**7,077**	7,767
Held for trading investments	**601**	–
Loans and receivables (including cash and cash equivalents)	**279,756**	323,446
Available-for-sale financial assets	**53,620**	88,920
Financial liabilities		
At amortised cost	**56,989**	88,283

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, trade and other receivables, loans to an investee, financial assets at fair value through profit or loss, pledged bank deposits, held for trading investments, bank balances and cash, trade and other payables, promissory notes and amount due to non-controlling interests of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

(i) Currency risk

The Group has financial assets at fair value through profit or loss denominated in United States dollars relative to Hong Kong dollars, the functional currency of the relevant group entities. Therefore, the Group is exposed to foreign exchange risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(iii) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the currency risk, interest rate risk and price risk is not significant, no sensitivity analysis is presented.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31st December, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group has concentration of credit risk as 36% (2010: 27%) and 68% (2010: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and related services segment. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group is exposed to the credit risk on the loans to an investee as mentioned in note 16. At 31st December, 2011, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. The repayment schedule was not changed in 2011. In view of good net asset position of the investee, the directors of the Company consider that the default risks of the investee is not significant to the Group.

The credit risk on liquid funds are limited because the counterparties are banks with good reputation.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	6 months or less HK$'000	6-12 months or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2011								
Non-interest bearing		11,673	–	–	–	8,318	19,991	19,991
Finance lease obligations – fixed rate	3.7	205	205	410	359	–	1,179	1,071
Promissory note	7.5	–	5,000	5,000	15,000	–	25,000	20,722
Amount due to non-controlling interests of a subsidiary	13.8	–	–	27,998	–	–	27,998	24,594
		11,878	5,205	33,408	15,359	8,318	74,168	66,378

	Weighted average effective interest rate %	6 months or less HK$'000	6-12 months or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2010								
Non-interest bearing		16,547	–	–	–	–	16,547	16,547
Finance lease obligations – fixed rate	4	96	96	193	333	–	718	619
Promissory note	7.5	–	5,000	5,000	15,000	5,000	30,000	24,046
Convertible bond	8.5	–	24,400	–	–	–	24,400	23,096
Amount due to non-controlling interests of a subsidiary	13.7	–	–	27,998	–	–	27,998	24,594
		16,643	29,496	33,191	15,333	5,000	99,663	88,902

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss	**–**	**7,077**	**–**	**7,077**
Held for trading investments	**601**	**–**	**–**	**601**

	2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	7,767	–	7,767

Other than set out in notes 16, 17, 25, 28 and 29, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

41. PRINCIPAL SUBSIDIARIES

(i) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operation	Issued and paid-up share/registered capital	Proportion of ownership interest held by the Company 2011	2010	Principal activities
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	100%	Investment holding
Indirect subsidiary:					
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	75%	75%	Investment holding
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	100%	100%	Sub-leasing of investment properties
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	100%	100%	Investment holding
寶號投資管理(深圳)有限公司	PRC*	RMB6,000,000 Registered and paid-up capital	99%	99%	Corporation consultancy service
寶聲源娛樂(淮安)有限公司	PRC*	HK$17,000,000 Registered capital HK$2,550,000 Paid-up capital	99%	–	Provision of karaoke services

* Sino-foreign equity joint ventures

None of the subsidiaries had issued any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excess length.

41. PRINCIPAL SUBSIDIARIES (continued)

(ii) Distributable reserves

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2011 **HK$'000**	2010 HK$'000
Contributed surplus *(Note 1)*	**84,239**	84,239
Accumulated losses *(Note 2)*	**(70,683)**	(48,401)
	13,556	35,838

Note 1: The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Note 2: The amount for 2010 has been restated because an impairment loss was recognised for the amounts due from subsidiaries.

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 **HK$'000**	2010 HK$'000
Total assets		
Unlisted investments in subsidiaries	**123,239**	123,239
Amounts due from subsidiaries	**233,701**	197,981
Bank balances and cash	**139**	332
Other current assets	**496**	324
	357,575	321,876
Total liabilities		
Promissory notes	**20,722**	24,046
Convertible bonds	**–**	23,096
Amount due to a subsidiary	**6,383**	6,976
Other current liabilities	**835**	1,023
	27,940	55,141
	329,635	266,735
Total equity		
Share capital *(see note 26)*	**14,394**	9,996
Reserves	**315,241**	256,739
	329,635	266,735

43. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK$600,000 (2010: HK$400,000).

Financial Summary

	Year ended 31st December,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**172,793**	178,080	155,236	169,292	154,444
Profit (loss) for the year	**(81,242)**	2,403	(6,455)	(109,826)	(16,916)

	As at 31st December,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**480,964**	489,218	473,616	423,443	537,183
Total liabilities	**(71,840)**	(95,976)	(86,206)	(89,294)	(93,208)
	409,124	393,242	387,410	334,149	443,975
Attributable to:					
Owners of the Company	**397,602**	385,122	382,719	334,147	443,973
Non-controlling interests	**11,522**	8,120	4,691	2	2
	409,124	393,242	387,410	334,149	443,975